

July 2, 1997

Director, Card Technology Division  
Financial Management Service  
U.S. Department of the Treasury  
Room 526, Liberty Center  
401 14th Street, S.W.  
Washington, DC 20227

Re: Electronic Benefits Transfer  
RIN 1510-AA59

Dear Madam or Sir:

Navy Federal Credit Union appreciates the opportunity to comment on the notice of proposed rulemaking involving disbursement by electronic funds transfer of direct federal payments to unbanked recipients through the selection and designation of financial institutions as Financial Agents of the United States. Navy Federal, the nation's largest credit union, serves more than 1.6 million member-owners with nearly \$10 billion in assets. We are a cooperatively organized not-for-profit financial services organization that strives to meet the financial needs of all our members through the credit union philosophy of "people helping people."

At Navy Federal, we are concerned about the financial needs of all persons in our field of membership, including the unbanked. Credit unions, including Navy Federal, are prohibited by statute from serving the general public. Membership in credit unions is limited by the provisions of enabling federal or state legislation. The Federal Credit Union Act (FCUA) provides the field of membership authorities for Navy Federal and more than 7,000 other federal credit unions. Our field of membership at Navy Federal is based on each member's individual or family association with the Department of the Navy.

Credit unions were originally established to assist persons of small means--a tradition that continues throughout the credit union movement today. The National Credit Union Administration recently sponsored a national conference on "Serving the Underserved" and promotes mentor relationships among credit unions to reach additional underserved communities. Navy Federal sponsors programs for low income members and maintains a relationship with several small credit unions to assist them in reaching underserved populations. It would be ironic indeed if Treasury's proposed program involving assistance to the unbanked did not recognize the traditional role of credit unions in reaching the underserved or if Treasury failed to recognize the statutory limitations on credit unions' fields of membership.

*Handwritten:* 207.031

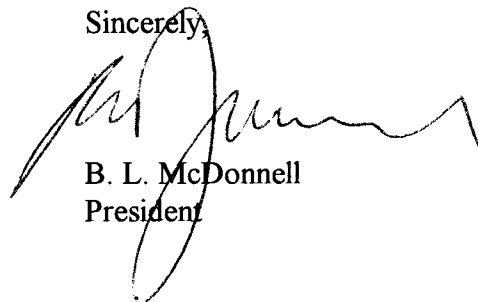
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The proposed regulation provides few procedural details about the proposed program involving direct federal EBT disbursements. Several issues need amplification and/or clarification in the final rule. These include:

1. Section 207.1 of the rule should describe how financial institutions would be selected and designated as Financial Agents of the United States.
2. Section 207.2, definition of Benefit Security Card, appears to need a more comprehensive definition to describe the access device for the EBT disbursement program.
3. Section 207.3(a)(4) does not address the role networks (that are not owned by financial institutions) play in delivery of ATM and POS service. This issue needs to be explored more thoroughly.
4. Section 207.3(b) appears to be in direct conflict with section 207.3(a)(2). Regulation E places the financial institution in a position of accountability with the consumer through the error resolution procedures of section 205.11 and the consumer liability limitations contained in section 205.6.
5. The regulation should address permissible actions of the financial institution in cases of fraud or abuse.
6. The regulation should also address the relationship between direct federal EBT accounts and other accounts. For example, would a person with an existing account be permitted to close that account in order to open a direct federal EBT account?

We believe that if the direct federal EBT program gains widespread acceptance, details of the program must be codified in regulations and the program must be compatible with a wide variety of financial institutions' standard operating procedures. If you have any questions concerning these comments, you may contact me at (703) 255-8201 or Brady Cole, Senior Vice President, Planning at (703) 255-8904.

Sincerely,



B. L. McDonnell  
President

BLM/bb